



State of Utah

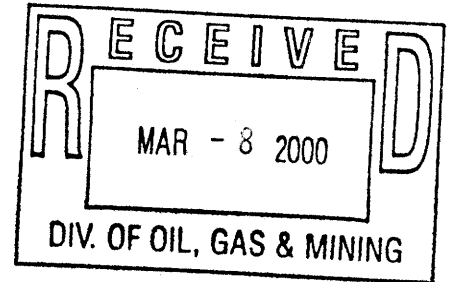
School and Institutional
TRUST LANDS ADMINISTRATION

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Governor

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Director

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March 6, 2000



Mr. O. Jay Gatten
Pearl Queen Perlite Corporation
472 North Main Street
Kaysville, UT 84037-1173

RE: ML 3092-Perlite; M/001/027; Beaver County

Dear Mr. Gatten,

Thank you for your royalty payment and letter of February 25, 2000. In your letter you mention that Pearl Queen Perlite Corporation has "sold out" to Basin Perlite Company. I am just writing to clarify that the current lessee of record of ML 3092 with the Trust Lands Administration is Pearl Queen Corporation.

Rule 850-20-2200 (5) (b), governing ML 3092, states:

"Any mineral lease may be assigned or subleased as to all or part of the acreage, to any person, firm, association, or corporation qualified to hold a lease, provided, however, that all assignments and subleases are approved by the board or by the agency. No assignment is effective until approval is given. Any assignment or sublease made without approval is void."

In viewing the lease record for ML 3092 I find that the board or agency has not approved any assignment or sublease to Basin Perlite Company. Perlite Queen Corporation remains the lessee of record under ML3092 and shall be held responsible for all operations upon the leased lands, including the timely payment of royalties, until such assignment or sublease is approved.

Also, the plan of operations currently approved by the Trust Lands Administration for the Pearl Queen Mine does not designate Basin Perlite Company as an operator. Please submit a written designation of operator for Basin Perlite Company before allowing it to enter the leasehold; or, obtain an approved assignment or sublease.

Sincerely,

John T. Blake
Mineral Resources Specialist

cc: Tom Munson

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